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TRANSCRIPT OF RECORD

3
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1926

No. [REDACTED] 1 [REDACTED] 142

DE FOREST RADIO TELEPHONE & TELEGRAPH COMPANY,
APPELLANT,

vs.

THE UNITED STATES

APPEAL FROM THE COURT OF CLAIMS

FILED JUNE 14, 1926

(31,372)

(31,272)

SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1925

No. 549

DE FOREST RADIO TELEPHONE & TELEGRAPH COMPANY,
APPELLANT,

v/s.

THE UNITED STATES

APPEAL FROM THE COURT OF CLAIMS

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[fol. 1] **IN COURT OF CLAIMS OF THE UNITED STATES**

No. 34093

DE FOREST RADIO TELEPHONE AND TELEGRAPH COMPANY

vs.

THE UNITED STATES**I. HISTORY OF PROCEEDINGS**

On February 28, 1919, the plaintiff filed its original petition.

On April 30, 1919, a general traverse was filed under Rule 34.

Subsequently, to wit, on October 8, 1923, by leave of court, the plaintiff filed its Amended Petition.

Said amended petition is as follows:

II. AMENDED PETITION—Filed October 8, 1923

To the Honorable the Judges of the Court of Claims of the United States:

Now comes the De Forest Radio Telephone and Telegraph Company, the petitioner herein, and respectfully shows:

First. That the petitioner is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and having offices and doing business in the City of New York, State of New York.

Second. That this petition is filed against the United States pursuant to the provisions of the Act of Congress approved June 25, 1919, entitled "An Act to Provide Additional Protection for Owners of Patents of the United States, and for other Purposes," as amended [fol. 2] by the Act of July 1, 1918 entitled "An Act Making Appropriations for the Naval Service for the Fiscal Year Ending June 30, 1919, and for other Purposes."

Third. That subsequent to the twenty-fifth day of June, 1910, and prior to, and at the time of the infringements by the United States hereinafter complained of, this petitioner was the owner, by duly recorded assignments of the entire rights, title and interest, with the exception of the rights granted to Western Electric Company specified hereinafter, in and to the following described Letters Patent of the United States, namely:

No. 841,387, granted January 15, 1907, to Lee De Forest, for Device for Amplifying Feeble Electrical Currents.

No. 879,532, granted February 18, 1908, to Lee De Forest, for Space Telegraphy.

Fourth. That by each of said Letters Patent of the United States, above identified, there was granted and secured to the Patentee therein named, his heirs and assigns, for the term of seventeen (17) years from the date thereof, respectively, the full, sole and exclusive right and liberty of making, using, and selling the invention set forth in and by said Letters Patent, throughout the United States and the Territories thereof, to the full end of the term thereof, which said Letters Patent, or duly certified copies thereof, and duly certified copies of the assignment of each of said Letters Patent to it, your petitioner now here produces and shows to the Court, and the same are prayed to be read as part hereof.

Fifth. That in the case of each patent hereinabove recited, the [fol. 3] patentee thereof was the original first and sole inventor of the invention therein set forth, shown, described and claimed, which said invention was not known or used by others in this country before the same was invented or discovered by said patentee, and was not patented nor described in any printed publication in this nor in any foreign country, before his invention or discovery thereof, nor more than two years prior to making the application for said patent and was not in public use nor on sale in this country for more than two years prior to making the said application, and which had not been first patented, or caused to be patented by him or his legal representatives or assigns in any foreign country upon an application filed more than twelve months prior to the filing of the application for the patent therefor in this country.

Sixth. That in the case of each of said patents, the patentee therein named was not, at the time he made the invention thereof, nor at the time he made application therefor, nor at the time said patent was granted or assigned to your petitioner, in the employment or service of the Government of the United States; nor was your petitioner in the employment or service of the Government of the United States, when the claim herein was made.

Seventh. That in the case of each of said patents, the application for the grant thereof was duly made, and such proceedings had thereon, that on the date of the grant thereof, the said patent was duly granted, signed by the proper authorities, issued and delivered, all in accordance with the terms and conditions of the Statutes of the United States in such cases made and provided, as by said patents, or duly authenticated copies thereof in court to be produced, will more fully and at large appear.

[fol. 4] Eighth. That the petitioner is the owner of the claim herein made, and did not acquire said claim, nor any part thereof, nor interest therein, by reason of any assignment or transfer of such claim, but said claim arose by reason of your petitioner's ownership of rights under said patents, and infringement thereof by the United States, during the period of your petitioner's ownership thereof.

Ninth. That no part of the claim herein made and set forth has been settled or paid, either by the Congress of the United States, or by any of the departments of the Government.

Tenth. That your petitioner is an American corporation, and is owned wholly and entirely by loyal American citizens and that in the conduct of its business it has, and its owners have at all times borne true faith and allegiance to the Government of the United States, and has not in any way aided, abetted or given comfort or encouragement to any of the enemies of the Government.

Eleventh. That on or about March 16, 1917, your petitioner made, executed and delivered to the Western Electric Company, a New York corporation, a written instrument bearing date that day, a copy of which is attached as Exhibit A and made a part thereof (except that the schedules A and B referred to therein and containing a long list of patents and applications have been omitted, for the sake of brevity, it being sufficient to allege that the two patents of the United States aforesaid are included in schedule A thereof); and that on or about May 24, 1917, said Western Electric Company assigned and conveyed to American Telephone & Telegraph Company, [fol. 5] a New York corporation, every right, title and interest which it obtained or was entitled to under said instrument and agreement of March 16, 1917.

Twelfth. That subsequently to July 1, 1918, the inventions covered by the patents of the United States aforesaid, that is to say, devices called "audions" or "vacuum tubes" embodying said inventions and for use in radio communication, were manufactured for the United States by the General Electric Company, a corporation of New York, and also by Moorhead Laboratories, Inc., a corporation of California, without license of the petitioner or lawful right to use or manufacture the same; that said manufacture was pursuant to orders for said audions given by the United States to said General Electric Company and said Moorhead Laboratories, Inc., respectively; and that said audions so manufactured were subsequently delivered by said General Electric Company and said Moorhead Laboratories, Inc., to the United States and used by the United States without license of the petitioner or lawful right to use or manufacture the same.

Thirteenth. That prior to the giving of said orders for the manufacture of said audions to said General Electric Company and said Moorhead Laboratories, Inc., respectively, the United States informed said American Telephone & Telegraph Company that, being then engaged in war, it desired to have large numbers of said audions manufactured promptly for it by said General Electric Company and others, whereupon said American Telephone & Telegraph Company advised the United States, by writing to the Chief Signal Officer of the Army on or about September 21, 1917, to the effect that it would not do anything to interfere with the immediate

manufacture of said audions for the United States by said General [fol. 6] Electric Company and other manufacturers provided it were understood and agreed that said American Telephone & Telegraph Company waived none of its claims under any patents or patent rights owned by it, on account of said manufacture, and that all claims under patent rights and all patent question be reserved and later investigated, adjusted and settled by the United States; and said plan was accepted by the United States and the orders aforesaid for said audions were thereafter given by the United States to said General Electric Company and said Moorhead Laboratories, Inc., respectively and said audions were manufactured by said General Electric Company and said Moorhead Laboratories, Inc., respectively, and delivered to the United States in pursuance of said plan.

Fourteenth. That, for the purpose of assisting the United States to obtain said audions promptly pursuant to the orders given by the United States therefor, said American Telephone & Telegraph Company furnished information, drawings and blueprints to said General Electric Company and permitted representatives and experts of the United States and of said General Electric Company to witness and study the manufacture of said audions by it, American Telephone & Telegraph Company, all to the end that said audions might be the more promptly manufactured and delivered to the United States for use in the war in which it was then engaged.

Fifteenth. That subsequently to the manufacture of the audions aforesaid and delivery thereof to the United States and subsequently to the filing of the original petition in this suit, negotiations were instituted by and between the United States on the one hand and said American Telephone & Telegraph Company on the other with [fol. 7] the result that said American Telephone and Telegraph Company made, executed and delivered to the United States an instrument in writing expressly waiving and relinquishing all claims, both against the United States and all manufacturers acting under orders of the United States, for compensation for the manufacture and use of all apparatus covered by the two patents aforesaid and said waiver was stated to include all claims which have arisen or which may hereafter arise, for royalties, damages, profits or compensation for infringement of any or all letters patent owned or controlled by the American Telephone & Telegraph Company, whether expressly recited herein or not, for said manufacture and/or use prior hereto and for use by the United States occurring hereafter.

Sixteenth. That your petitioner asserts and charges that the two patents in suit did not, as the result of the making and delivery of the instrument of March 16, 1917, aforesaid, become owned or controlled by the American Telephone & Telegraph Company, and that the waiver and settlement by the American Telephone & Telegraph Company subsequent to the filing of the original petition of the petitioner, did not and does not deprive the petitioner of its rights in and to said patents and for recovery for the infringement of said

patents, and the petitioner further asserts and charges the result to be, notwithstanding the facts alleged in paragraphs Eleventh to Fifteenth inclusive, that the aforesaid use of the inventions by the United States and in particular the aforesaid manufacture of said audions by said General Electric Company and said Moorhead Laboratory, Inc., respectively, and the use of said audions by the United States, was in infringement of the patents aforesaid and of the rights [fol. 8] of the petitioner in said patents which were reserved to, and never parted with by, the petitioner in and by the instrument of March 16, 1917, aforesaid."

Seventeenth. That such unlawful and unauthorized use of your petitioner's said patented inventions, and appropriation of your petitioner's property therein, and such violation and infringement of your petitioner's rights under its said Letters Patent, has resulted in great injury, damage and loss to your petitioner, to wit, as your petitioner is informed and believes, and therefore avers, in the aggregate sum of two million dollars (\$2,000,000) which sum is justly due to your petitioner, no part thereof having been paid and which sum, or such other fair, just and reasonable compensation as this Honorable Court may find to be due your petitioner, your petitioner avers it is justly entitled to recover after allowing all just credits and offsets.

Eighteenth. Your petitioner further avers and shows to the Court that it and its licensees has at all times been ready, able and willing to furnish and supply to the United States any or all of the apparatus, devices or equipment set forth in said Letters Patent, either or any of them, and containing or embodying in the construction or use thereof the inventions which they secure to your petitioner, at a price and cost to the United States therefor which is fair, just and reasonable and would afford your petitioner reasonable compensation.

Nineteenth. Your petitioner's said claim for compensation for the infringement herein complained of, and for the unauthorized use by the United States of said patented inventions in violation therein and thereto, is not based in any part on the use by the United States of any article, apparatus, device or equipment owned, leased or used [fol. 9] by or in the possession of the United States prior to June 25, 1910.

Twentieth. Your petitioner further avers and shows to the Court that upon learning of the infringement by the United States of the said Letters Patent and of the violation of your petitioner's rights and property therein and thereto, your petitioner notified and warned the United States to desist therefrom, well believing that it would cease such infringement and violation, or else make reasonable compensation to your petitioner therefor; but that, notwithstanding such notice and warning, the United States neglected and refused so to do, and continued and still continues to make, install and use, or to cause to be made, installed and used, apparatus, devices and equip-

ment containing or embodying in the construction, installation and use thereof, the inventions of said Letters Patent, in infringement and violation of your petitioner's rights and property in the premises.

Wherefore, your petitioner prays judgment in its favor against the United States for the sum of two million dollars (\$2,000,000), and for such other and further relief as to the Court may seem just, proper and reasonable in the premises.

De Forest Radio Telephone & Telegraph Co., by E. H. Jewett,
Prest.

[fol. 10] Sworn to by E. H. Jewett. Jurat omitted in printing.

[fol. 11]

EXHIBIT A TO PETITION

Whereas, the De Forest Radio Telephone and Telegraph Company, a Delaware corporation, herein called the "De Forest Company" (being the same corporation formerly named "Radio Telephone and Telegraph Company"), represents that it owns and controls the entire right, title and interest (subject only to such rights as were granted to Sidney S. Meyers, his heirs and assigns, by certain agreements dated July 26, 1913, and August 7, 1914, respectively, which rights are now held by the American Telephone and Telegraph Company) in, to and under certain United States patents and applications for United States patents and inventions recited or intended to be recited in the list hereto attached and marked "Schedule A"; and

Whereas, the De Forest Company further represents that it owns certain rights or interests in, to or under certain other United States patents and applications for United States patents recited or intended to be recited in the list hereto attached and marked "Schedule B"; and

Whereas, the Western Electric Company, Incorporated, a New York corporation, herein called the "Western Company," is desirous of acquiring rights in all the inventions and rights to patents owned or controlled by the De Forest Company, and in all the patents and applications included in or intended to be included in the said Schedules A and B, and also in certain inventions (and the United States patents that may be granted therefor) which may be made or conceived by Lee De Forest, during the period of seven years from and after the date hereof;

[fol. 12]

I

Now, in consideration of One Dollar (\$1.00) and other good and valuable considerations paid to the said De Forest Company by the said Western Company, receipt whereof is hereby acknowledged, the said De Forest Company hereby, on behalf of itself and its successors, legal representatives and assigns, grants and agrees to grant to the Western Company, a license (free of royalties or other payments

other than those herein specified) to make, use, install, operate and lease, and to sell or otherwise dispose of to others for sale, installation and operation, apparatus and systems embodying or made or operating in accordance with the following inventions: (1) All inventions owned or controlled by the said De Forest Company or to which it now is or may hereafter be legally or equitably entitled by reason of any existing agreements, under which it has or may have the right to transfer or grant licenses as herein expressed, among which inventions are specifically included (without excluding others) those enumerated in Schedules A and B; and (2) any and all inventions relating to apparatus, methods or systems adapted for use in wire or radio signalling or communication, or relating to the audion or other vacuum, rarified gas or vapor electric discharge device, or relating in anywise to electrical translating devices (such for example, as oscillation generators, relays, repeaters, amplifiers, detectors, rectifiers, power limiting devices, X-ray apparatus, etc.), which may be made or conceived by Lee De Forest during the period of seven years from and after the date hereof.

II

The said license is granted and to be granted under United States patents only, and for the full terms of the said patents granted or to be granted, and the license is granted for all transferable rights of said De Forest Company of any kind or nature whatsoever in said in-[fol. 13] ventions, patents and applications, except the rights herein-after expressly reserved to itself by the De Forest Company. The said license granted and to be granted to the Western Company is exclusive except for the aforesaid rights now held by the American Telephone and Telegraph Company and except for the rights expressly reserved herein by the De Forest Company.

III

The De Forest Company reserves to itself the following rights:

- (1) Non-Exclusive, assignable rights to make, use and sell for the synthetic production of music under such of the patents and applications of Schedules A and B as were filed prior to August 14, 1914;
- (2) Exclusive, assignable rights to make, use and sell for the synthetic production of music its inventions covered by its patents issued or to be issued for inventions disclosed in its applications filed subsequent to, and not prior to, August 14, 1914;
- (3) Exclusive, non-transferable, personal right, with respect to the generation of oscillating or pulsating currents for sending purposes in radio-communication, to grant non-exclusive, non-transferable licenses to and to make apparatus for and sell apparatus to the Marconi Wireless Telegraph Company of America and any and all companies that may be owned or controlled by it under patents

Nos. 1,201,270, 1,201,271 and 1,218,195 and applications Ser. Nos. 17,225, 27,771, 31,856, 41,332, 48,948, 48,949, 52,176, 75,928, 99,283, 104,074, 104,075, 150,221, and 150,027; such licenses or sales to the said Marconi Wireless Telegraph Company of America or to any of said companies that may be owned or controlled by it [fol. 14] shall not, however, carry by implication or otherwise the right to use any of the other inventions covered by the patents and applications in said Schedules A and B; such exclusive rights to become non-exclusive if and when the said Marconi Wireless Telegraph Company of American grants a license to the De Forest Company under the Fleming patent No. 803,684, and the said right and any license granted thereunder to terminate with the expiration of said Fleming patent;

(4) Non-exclusive, non-transferable, personal rights with respect to radio-communication, under all the patents, applications and inventions included in this agreement, for the following purposes only:

- (a) To make for and sell to the United States Government for its use;
- (b) To make for and sell to amateurs for use solely by said amateurs;
- (c) To make for and sell to private users who do not, for pay, transmit or receive messages or establish communications, for use only in establishing communication between different offices or departments of the same business;
- (d) To make and sell for use on ships which do not, for pay, transmit or receive messages or establish communications;
- (e) To make and use for radio distribution of news and music;
- (f) To make and sell for use receiving apparatus for the reception of said news and music but not for use in receiving messages for pay;
- (g) To make, use and sell to others for use in the reproduction of words or music from the telephone and graphophone records

[fol. 15]

IV

It is understood and agreed that, except with respect to apparatus furnished to the United States Government and to the said Marconi Wireless Telegraph Company of America, no apparatus shall be sold or leased by the De Forest Company under its reserved rights, except upon written agreement by the purchaser or lessee, as the case may be, that neither said apparatus as a whole nor any part thereof shall be used in the commercial transmission or reception of messages for pay, or used by others than the original purchaser or lessee, or used for any purposes other than radio-communication.

V

The term "radio" as used herein is intended to be limited to such transmission of signals, communications or electrical effects as is accomplished without the use of wire or other physical connection, except the natural media in space, between the sending and receiving stations.

VI

It is understood and agreed that all apparatus made, sold, leased, delivered, installed or used by the De Forest Company shall be permanently and conspicuously marked as patented, together with the date (day and year) of the patent or patents covering the same, and shall also be permanently and conspicuously marked with words, satisfactory to the Western Company, indicating the sole use to which it is to be put.

VII

It is understood and agreed that the Western Company, its successors, legal representatives and assigns, and the De Forest Company, may, respectively, institute and conduct suits against others for infringement of any of said patents within the fields in which it possesses rights, but all of such suits shall be conducted at the expense of the party bringing them, which party shall be entitled to retain any judgment recovered in any such suits.

VIII

The De Forest Company covenants with and warrants to the Western Company, its successors and assigns, that said Schedule A is a complete list of all United States patents and applications for United States patents and inventions which it owns or controls, but if any such patents, applications or inventions are omitted from said Schedule A, they shall be added thereto as soon as the omission is discovered, and shall be deemed to be included therein. And the De Forest Company covenants with and warrants to the Western Company, its successors and assigns, that it owns and controls the entire right, title and interest in, to and under each and all of the patents, applications for patents and inventions listed or intended to be listed in said Schedule A, free and clear of any adverse assignment, grant, mortgage, license and every other encumbrance, except such rights as were granted as aforesaid to the said Sidney S. Meyers and are now held by said American Telephone and Telegraph Company and except a license heretofore granted to the Atlantic Communication Company (a New York corporation).

IX

The De Forest Company further covenants and warrants that said Schedule B is a complete list of all United States patents, applica-

tions for United States patents and inventions (other than those re-[fol 17] cited in said Schedule A) in which it has any title or interest or in respect to which it has any transferable rights; but if any such patents, applications or inventions (except such as should be added to Schedule A) are omitted from said Schedule B they shall be added to the latter as soon as the omission is discovered, and shall be deemed to be included therein.

X

The De Forest Company further covenants and agrees that it will, whenever requested, and without further consideration, execute and deliver and cause to be executed and delivered all such further licenses and papers as the legal counsel of the Western Company may advise are necessary or convenient to perfect the license to the Western Electric Company, its successors and assigns herein conveyed or intended or agreed to be conveyed.

XI

The De Forest Company hereby gives to the Western Company the non-revocable right to examine and take copies of all of its applications now pendings in the United States Patent Office, including those applications enumerated in said Schedules A and B, and all its pending applications filed or which may be filed in the United States Patent Office in the name of Lee De Forest for inventions conceived at any time prior to seven years from the date hereof; and the Commissioner of Patents is hereby authorized to permit the said Western Company to have access to said applications in accordance herewith. And the De Forest Company furthermore agrees to promptly furnish to the Western Company the serial number and date of filing of all such applications, and copies of all the Patent Office records thereof, including specifications, drawings, amendments and office actions.

[fol. 18]

XII

It is understood and agreed that the Western Company, its successors and assigns may transfer to others, in whole or in part, the rights granted by this instrument, and may assign rights hereunder, or grant licenses to various persons, firms or corporations for the several uses to which the inventions are applicable.

XIII

It is understood and agreed that the acceptance of this license by the Western Company shall not be construed as granting or implying the grant or surrender by it of any rights or licenses whatever under its patents granted or to be granted.

In witness whereof the parties hereto have caused this instrument to be executed on the 16th day of March, 1917, by their proper officers thereunto duly authorized.

De Forest Radio Telephone and Telegraph Company, by
 (Signed) Lee De Forest, President. Attest: (Signed)
 Chas Gilbert, Treas. Western Electric Company, Incorporated, by (Signed) H. B. Thayer, President. Attest:
 (Signed) Geo. C. Pratt, Secretary.

[fol. 19] I, Lee De Forest, as an individual and as a director and stockholder in the De Forest Radio Telephone and Telegraph Company which has executed the foregoing instrument, hereby approve, ratify and confirm the licenses granted in the foregoing instrument, and also all provisions of that instrument; and to the extent of my present or future interest in, or control over, the said patents, applications and inventions, I, for myself, my heirs, executors, legal representatives and assigns, hereby join and agree to join in the licenses above granted and agreed to be granted and further agree promptly to disclose to said Western Company all inventions which may be made or conceived by me within the period of seven years from the date hereof and to execute and deliver such licenses and other papers which may be reasonably necessary to vest in the Western Company the rights which are herein granted or agreed to be granted.

(Signed) Lee De Forest.

STATE OF NEW YORK,
 County of New York, ss:

On this 16th day of March, 1917, personally appeared before me Lee De Forest, personally known to me and known to me to be one of the persons who executed the foregoing instrument, and he acknowledged to me that he executed the same and that the same constitutes his free act and deed for the uses and purposes therein set forth.

(Signed) Jacob Satin, Notary Public, New York County, No. 24. Register No. 8059. Commission expires March 30, 1918.

[fol. 20] III. DEMURRER TO AMENDED PETITION—Filed May 28, 1924, by leave of court

Now comes the United States, and demurs to the amended petition upon the following grounds:

- (1) That the amended petition does not state a cause of action against the United States;
- (2) That the amended petition does not state a cause of action in favor of the petitioner;
- (3) That the amended petition does not state a cause of action for patent infringement nor any cause of action based upon a con-

tract, express or implied, whereof the United States agreed to compensate petitioner for the use of the alleged inventions;

(4) That the amended petition shows on its face that the alleged claim against the United States is an unliquidated claim, and that any right in petitioner to recover said alleged claim from the United States arose by assignment.

Respectfully, Robert H. Lovett, Assistant Attorney General.

Harry E. Knight, Special Assistant in Charge of Patent Litigation. Melville D. Church, Special Assistant to the Attorney General.

IV. ARGUMENT AND SUBMISSION OF DEMURRER

On October 20, 1924, the demurrer to the amended petition in this case was argued and submitted by Mr. Lucius E. Varney, for the defendant, and by Mr. Samuel E. Darby, Jr., for the plaintiff.

[fol. 21]

V. OPINION—October 28, 1924

On Demurrer

Downey, Judge, delivered the opinion of the court.

The questions for consideration are presented by demurrer to the amended petition. The grounds of demurrer are stated in four paragraphs, but they amount practically to a general demurrer on the ground that the petition does not state a cause of action against the United States. There are concessions of such a nature that the questions presented are narrowly confined.

The petition seems to very fully present the case, there is no intimation that the facts are not substantially as stated, and, aside from a determination of the amount of recovery in the event the demurrer should be overruled, the conclusion thereon is determinative of the action.

It is not regarded as necessary to quote at length the averments of the petition. They show, briefly stated, that the plaintiff owned, by assignment, certain patents; one "for amplifying feeble electrical currents" and one "for space telegraphy," and that on March 16, 1917, it executed and delivered to the Western Electric Company an instrument, a copy of which is attached to the petition, granting to said Electric Company, in broad terms, an exclusive license to "make, use, install, operate and lease, and to sell or otherwise dispose of to others," apparatus and systems embodying the inventions here in question, and granting to said Electric Company all transferable rights of any kind or nature, except the rights expressly reserved, which, so far as here material, was the nonexclusive, nontransferable personal right to make for and sell to the

United States the patented inventions in question, which, so far as this case is concerned, were devices called "audions" or "vacuum tubes" for use in radio communication. All the rights which the Western Electric Company acquired by virtue of said instrument were by it conveyed to the American Telephone & Telegraph Company.

When the war came on the United States was urgently in need of large quantities of these audions and informed the American Telephone & Telegraph Company of its desire to have a large number [fol. 22] thereof manufactured by the General Electric Company and the Moorhead Laboratories, Inc., whereupon said Telephone Company advised the United States by letter to the Chief Signal Officer of the Army that it would not interfere with the immediate manufacture of said audions for the United States by said General Electric Company and other manufacturers provided it were understood and agreed that it waived none of its claims under any patents or patent rights owned by it and that all claims under patent rights and all patent questions be reserved and later investigated, adjusted and settled by the United States, which plan was accepted by the United States and orders for said audions were by the United States placed with said General Electric Company and said Moorhead Laboratories, Inc., and said audions were by said companies manufactured and delivered to the United States.

It is not question that the American Telephone & Telegraph Company was fully authorized to grant a license to manufacture and use the audions and that if it did in fact license the United States to have said audions manufactured the plaintiff has no case.

The primary question therefore is whether, under the averments of the petition, there was a licensing.

In standard textbooks, Walker on Patents, and others, from which we deem it unnecessary to quote in detail, established principles as to licenses, uncontroverted as we understand it, are to be found.

Among them, no particular form of license is necessary; a license may be written or it may be oral; it may be express or it may be implied; it may be implied from the conduct of the parties, etc.

It was in writing in this case, as it is averred, not in the form of a contract signed by both parties, but in the form of a letter the terms of which were accepted. It does not appear from the averments that there was any attempt to use express words of license, but, responding to a statement that the United States desired, in the emergency of war, to have the audions manufactured in large quantities, the information from the party having the right to grant a license was that it would not do anything to interfere. The conditions following do not weigh in determining the question since they were accepted by the United States.

The reason for the use of the particular language indicating no disposition to interfere may be found in the fact, a matter of common knowledge, that in a number of instances when the United States was contracting for the manufacture of patented articles, the manufacturers with whom the United States was contracting were enjoined by patentees or owners of patents.

Therefore, being informed by the United States of the desire to procure the manufacture of the audions by the companies named, the licensor (we think the term may properly be used) said, in effect, "Go ahead, we will not interfere." The purpose and the understanding of both parties seem clear and permit of but one construction, the granting to the United States of a license or a permission to proceed with the manufacture of the patented articles.

This conclusion seems thoroughly justified from what has been said, but if there could remain doubt it is removed by the further conduct of the parties. The fourteenth paragraph of the petition avers assistance rendered by the American Telephone & Telegraph [fol. 23] Company to the United States and to representatives of the General Electric Company by way of furnishing information, drawings, and blue prints and exhibiting methods of manufacture, "all to the end that the said audions might be the more promptly manufactured and delivered to the United States for use in the war in which it was then engaged." Assistance so rendered in the use of a patented invention not only, as a legal proposition, renders the use a lawful one as distinguished from an infringement, but considered simply as an aid to construction in determining whether or not there was a license, it closes the door to any other than an affirmative conclusion.

It may be added that the only justifiable inference from the averments of the petition is that the American Telephone & Telegraph Company has never questioned the granting of a license by it for it is averred that subsequent to the manufacture of the audions in question there were negotiations between the United States and that Company resulting in the execution of a release to the United States, waiving and releasing all claims against the United States and the manufacturers acting under its order. Whether gratuitous or for a compensation paid does not appear and is immaterial.

The case would seem so thus determined as to preclude any basis of the contention on the part of the plaintiff, but, asserting that the United States was not a licensee and that the settlement referred to was subsequent to the commencement of this action, it contends that it may sue and recover as for infringement under paragraph VII of the instrument executed by the plaintiff and the Western Electric Company wherein it is provided that either party may institute and conduct suits against others for infringement "within the fields in which it possesses rights," etc.

Plaintiff's asserted rights under this paragraph would require consideration of some questions argued in its brief if it were not for the conclusion already reached on the question of a license, but conclusion that the American Telephone & Telegraph Company, under the averments of the petition, had granted a license to the United States precludes the assertion of a cause of action under said paragraph VII as for an infringement.

The demurrer is sustained.

Graham, Judge; Hay, Judge; Booth, Judge, and Campbell, Chief Justice, concur.

[fol. 24]

VI. ORDER DISMISSING PETITION

In this case the plaintiff having declined to amend it is ordered by the Court this 4th day of May, 1925, that the petition be and it is dismissed.

By the Court.

VII. PETITION FOR APPEAL—Filed May 16, 1925

Now comes the Claimant and makes application to the Court to allow an appeal to the Supreme Court of the United States from the judgment of the Court entered in this cause May 4, 1925.

Respectfully submitted, Samuel E. Darby, Attorney for Claimant.

VIII. ORDER ALLOWING APPEAL

It is ordered by the Court this 18th day of May, 1925, that the plaintiff's application for appeal be and the same is allowed.

[fol. 25]

IN COURT OF CLAIMS

[Title omitted]

CLERK'S CERTIFICATE

I, F. C. Kleinschmidt, Assistant Clerk Court of Claims, certify that the foregoing are true transcripts of the pleadings in the above-entitled cause; of the argument and submission of case on demurrer; of the opinion of the court by Downey, J., sustaining the demurrer; of the order of the court dismissing the plaintiff's petition; of the plaintiff's application for an appeal and of the order of the court allowing said application.

In testimony whereof I have hereunto set my hand and affixed the seal of said Court at Washington City this 3rd day of June, A. D., 1925.

F. C. Kleinschmidt, Assistant Clerk Court of Claims. (Seal of Court of Claims.)

Endorsed on cover: File No. 31,272. Court of Claims. Term No. 549. De Forest Radio Telephone & Telegraph Company, appellant, vs. The United States. Filed June 16, 1925. File No. 31,272.

8

THE UNITED STATES COURT OF APPEALS

OCTOBER TERM, 1915

No. [REDACTED] 142

DEFOREST RADIO TELEPHONE & TELEGRAPH
COMPANY, APPELLANT

against

THE UNITED STATES

THE UNITED STATES COURT OF APPEALS

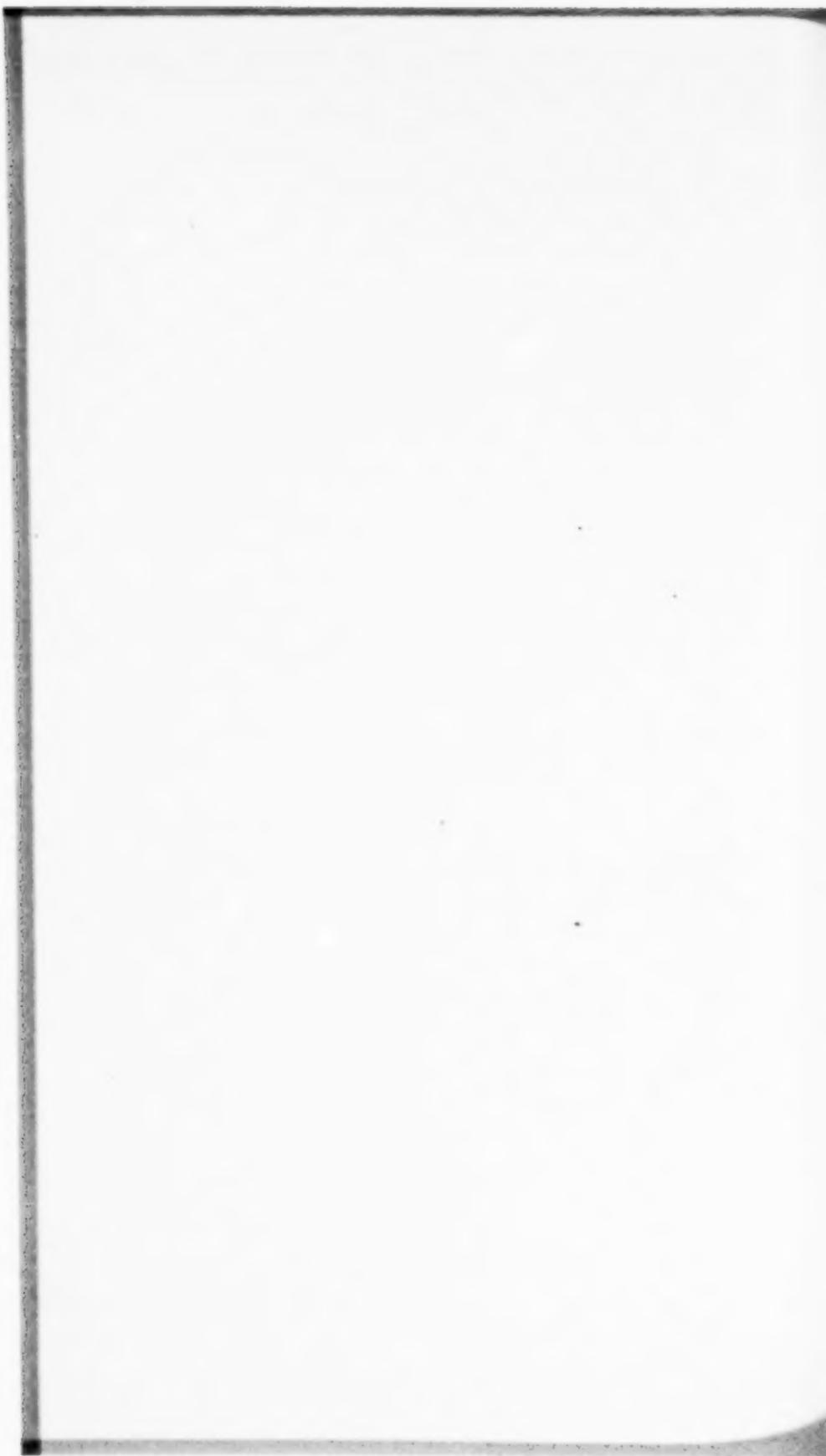
Samuel E. Darrow
Solicitor for Appellant

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Supreme Court of the United States

No. 549,

OCTOBER TERM, 1925.

DEFOREST RADIO TELEPHONE & TELEGRAPH COMPANY,

Appellant,

against

THE UNITED STATES.

BRIEF FOR APPELLANT.

Statement.

This is an appeal to the Supreme Court of the United States from a judgment of the Court of Claims, dated October 28, 1924 (p. 12, Rec.), sustaining a demurrer to an amended petition of the DeForest Radio Telephone & Telegraph Company, a Delaware Corporation (p. 1, Rec.), filed in the said Court of Claims against the United States in a suit to obtain compensation for the use of patented inventions by the United States during the recent World War.

The suit was filed pursuant to the provisions of the Act of Congress approved June 25, 1910, entitled "An Act to Provide Additional Protection for Owners of Patents of the United States and for Other Purposes" as amended by the Act of July 1, 1918, entitled "An Act Making Appropriations for the Naval Service for the Fiscal Year Ending June 30, 1919, and for Other Purposes."

The original petition filed by the DeForest Company was amended to cut down the number of patents sued on and otherwise to restrict the scope of petitioner's claims and to amplify the statement of facts upon which the claim is based.

The United States demurred to the amended petition (p. 11, Rec.) upon the following grounds:

- (1) That the amended petition does not state a cause of action against the United States.
- (2) That the amended petition does not state a cause of action in favor of petitioner.
- (3) That the amended petition does not state a cause of action for patent infringement nor any cause of action based upon a contract, express or implied, whereby the United States agreed to compensate petitioner for the use of the alleged inventions.
- (4) That the amended petition shows on its face that the alleged claim against the United States is an unliquidated claim, and that any right in petitioner to recover said alleged claim from the United States arose by assignment.

The Court of Claims sustained the demurrer on the ground that the petition did not state a cause of action against the United States, holding in effect that the said petition on its face showed that the United States had been granted a license to use the patented invention sued on, prior to the filing of said petition by the DeForest Radio Telephone & Telegraph Company, by the American Telephone & Telegraph Company, a New York corporation, which Company held such rights under said patents as gave it authority to grant such a license.

The Undisputed Facts Set Forth in the Petition.

The Government does not deny the facts pleaded in the petition for, as stated in the brief in behalf of the Government before the Court of Claims:

"The Government does not deny the *Facts* pleaded in the petition except such as go to the *amount* of the recovery; for the patents in suit have been sustained against attack in other Federal courts and have been held by said courts to cover the same devices as those upon which the claim here is based. If therefore the demurrer is sustained it will dispose of the case entirely; if it is overruled it will leave nothing to be determined except the *amount* of compensation to be awarded."

It follows, therefore, that if the action of the Court of Claims sustaining the demurrer in this case is overruled by this court, the sole question to be determined in subsequent proceedings is the "amount" of compensation to be paid the petitioner.

The undisputed facts as presented by the petition briefly stated are as follows:

The petitioner owned by assignment certain patented inventions in (or used in the production of) the so-called "vacuum tubes" or "audions" used in radio communication. On March 16, 1917, the petitioner executed and delivered to the Western Electric Company, a New York corporation, an instrument in writing, which instrument was attached to the petition, and which granted to the said Western Electric Company certain rights under said patents in question. On May 24, 1917, the said Western Electric Company assigned and conveyed to the American Telephone & Telegraph Company, also a New York corporation, every right, title and interest which it had obtained or was entitled to under said instrument and agreement of March 16, 1917.

Subsequent to July 1, 1918, the United States gave orders to the General Electric Company, a New York corporation, and to the Moorhead Laboratories, Inc., a corporation of California, to manufacture for its use "audions" or "vacuum tubes" embodying said inventions in suit and these audions or vacuum tubes were manufactured by these concerns and delivered to and used by the United States.

Prior to the giving of these orders for the manufacture of said audions to the General Electric Company and the Moorhead Laboratories, the United States advised the American Telephone & Telegraph Company, that then being engaged in war, it was desired to have large numbers of these audions manufactured promptly for its use by the General Electric Company and others. The American Telephone & Telegraph Company thereupon advised the United States by writing to the Chief Signal Officer of the Army on or about September 21, 1917, to the effect that it would not do anything to interfere with the immediate manufacture of said audions for the United States by the General Electric Company and other manufacturers provided it were understood and agreed that the said American Telephone & Telegraph Company waived none of its claims under any patents or patent rights owned by it, on account of said manufacture, and that all claims under patent rights and all patent questions were reserved and later investigated and settled by the United States.

This plan was accepted by the United States, and the orders as aforesaid for said audions were given by the United States to the said General Electric Company and Moorhead Laboratories, Inc., and the audions were delivered to the United States in pursuance of said plan.

In addition to the action taken by the American Telephone & Telegraph Company, as stated above, and for the purpose of assisting the United States to obtain the

said audions promptly, the American Telephone & Telegraph Company supplied information, drawings, and blue prints to the General Electric Company and gave other aid so that the audions might be made and delivered promptly for use in the war.

Subsequent to the manufacture and delivery of these audions to the United States in the manner set forth above, and *subsequent to the filing of the petition in this case by the DeForest Radio Telephone & Telegraph Company*, certain negotiations were had between the United States and the American Telephone & Telegraph Company which resulted in the execution of a release to the United States by the American Telephone & Telegraph Company, which release waived and released all claims it had against the United States and the manufacturers acting under its orders, for compensation for the manufacture and use of all apparatus covered by the two patents in suit and said waiver was stated to include all claims which have arisen or which might thereafter arise for royalties, damages, profits or compensation for infringement of any or all Letters Patent owned or controlled by the American Telephone & Telegraph Company.

The petition avers that the two patents in suit did not, as the result of the making and delivery of the instrument of March 16, 1917, become owned or controlled by the American Telephone & Telegraph Company, and that the waiver and settlement by the American Telephone & Telegraph Company, subsequent to the filing of the original petition of the petitioner, did not and does not deprive the petitioner of the rights in and to said Letters Patent and for recovery for the infringement thereof; and that notwithstanding the facts above set forth, the use of the said audions by the United States and the manufacture

thereof by the General Electric Company and Moorhead Laboratories was in infringement of the patents and the rights of the petitioner in said patents.

The Right of Petitioner to Maintain this Suit.

Before taking up the contentions of petitioner that the Court of Claims committed error in sustaining the demurrer on the grounds stated in its opinion, it is thought best to call attention to the agreement attached to the petition, which agreement defines the status of the petitioner and the American Telephone & Telegraph Company with respect to the patents in suit as well as the rights of the petitioner to maintain this suit against the United States.

The license agreement of March 16, 1917, is on its face perfectly clear, both as to the intent of the parties and as to the rights conveyed by the DeForest Company to the Telephone Company. In the first place, the document calls itself a license, and it is not questioned and is admitted by the Government that it is a mere license. It is not an exclusive license, as a consideration of the granting clause will clearly show. The granting clause of the agreement states:

"The said license is granted for all transferable rights of said DeForest Company of any kind or nature whatsoever in said inventions, patents and applications, except the rights hereinafter expressly reserved to itself by the DeForest Company. The said license granted * * * is exclusive *except for the rights expressly reserved herein by the DeForest Company.*" (Italics ours.)

It will be seen by this granting clause that the DeForest Company granted a license which was exclusive as against every one in the world *except the DeForest Company.* Therefore, it is clear that this document is not an exclu-

sive license as it is a fundamental principle of patent law that a license, to be exclusive, must of necessity exclude the licensor (*Waterman v. McKenzie*, 138 U. S., 252, 256), and this is what the DeForest Company did *not* do. What it expressly *did* do was to reserve rights which it acquired with the grant of the Letters Patent. These rights, therefore, it never parted with, for it only transferred to the Telephone Company "all transferable rights" it possessed "*except* the rights" it expressly reserved to itself. (*Jockmus v. Loudon, et al.*, 265 Fed. Rep., 12, Circuit Court of Appeals, Second Circuit.)

At the outset, therefore, we see that the Telephone Company is merely a non-exclusive licensee and not an exclusive licensee because the DeForest Company did not exclude itself from certain rights in its patents.

The rights which the DeForest Company secured with the grant of the Letters Patent in suit and never parted with by virtue of its agreement are divided into two heads—operative rights, forming the substance of Article III of the agreement, and rights of exclusion, forming the subject matter of Article VII of the Agreement.

Taking up the first of these (Article III), it is seen that the DeForest Company retained:

- (1) Non-exclusive, assignable rights to make, use and sell for a particular purpose under a group of patents, of which the patents in suit were included.
- (2) Exclusive, assignable rights (excluding even the Western Electric and Telephone Companies), for a particular purpose, of another group of patents, among which the patents in suit are not included.
- (3) An exclusive right to grant a license under another group of patents (in which the patents here in suit are not included).
- (4) Manufacture, use and sale rights with respect to radio communication (under the patents in suit).

The rights under this last division are specifically defined in Paragraphs (a) to (g), inclusive. Paragraph (a) includes the right "To make for and sell to the United States Government for its use."

It will be seen, therefore, that the DeForest Company having acquired with the grant of the Letters Patent in suit, the *exclusive* right to make for and sell to the United States Government and in its license of March 16, 1917, *reserved to itself* a non-exclusive right to make for and sell to the United States Government, for use by the Government, the only other question to be determined in respect to this agreement is whether by its terms the DeForest Company parted with its right of excluding others from making and selling to the United States Government apparatus embodying the inventions and patents in suit. The complete answer to this question is found in the agreement in Article VII. This paragraph states:

"It is understood and agreed that the Western Electric Company, its successors, legal representatives or assigns, and the DeForest Company may, respectively, institute and conduct suits against others for infringement of any patents within the fields in which it possesses rights, but all such suits shall be conducted at the expense of the party bringing them, which party shall be entitled to retain any judgment recovered in any such suits."

It is not and cannot be disputed that by virtue of this agreement the DeForest Company possessed the right to make and sell apparatus embodying the invention of the patents in suit to the Government, and it is believed that it also cannot be disputed that by expressly retaining and reserving to itself the right to exclusion it has the right to maintain this suit as an invasion of the field in which it possessed rights.

The Government in the Court of Claims attempted in

its argument and brief to force a construction of the agreement of March 16, 1917, to the effect that the DeForest Company *acquired* its right of exclusion from its licensee (Western Electric Company and the Telephone Company). This was an erroneous theory because, as a matter of law and fact, the DeForest Company's licensee could not grant such right, for the licensee never acquired possession of the right so as to be able to transfer it either to the DeForest Company or anyone else.

The Alleged License Granted by the American Telephone and Telegraph Company to the United States under the Patents in Suit.

Apparently, the sole ground for the sustaining of the demurrer by the Court of Claims was the assumption that under the averments of the petition there was a licensing of the Government on the part of the American Telephone & Telegraph Company to manufacture and use the audions constructed in accordance with the patents in suit.

Paragraph Thirteenth of the petition recites that:

"Prior to the giving of said orders for the manufacture of said audions to General Electric Company and said Moorhead Laboratories, Inc., respectively, the United States informed said American Telephone and Telegraph Company that being then engaged in war it desired to have large numbers of said audions manufactured promptly for it by the said General Electric Company and others, whereupon the said American Telephone and Telegraph Company advised the United States, by writing to the Chief Signal Officer of the Army, on or about September 21, 1917, to the effect that it would not do anything to interfere with the immediate manufacture of said audions for the United States by said General Electric Company and other manu-

facturers, provided it were understood and agreed that said American Telephone and Telegraph Company waived none of its claims under any patents or patent rights owned by it on account of said manufacture, and that all claims under patent rights and all patent questions be reserved and later investigated and settled by the United States."

The Court of Claims in sustaining the demurrer determined that the recitation of the facts as contained in the foregoing paragraph of the petition spelled out a license by the American Telephone & Telegraph Company to the Government.

It is urged by the petitioner that the facts recited in the paragraph of the petition do not spell out a license of any kind and that in consequence the Court of Claims was in error in so finding.

It is first necessary to ascertain what constitutes a license under a patent. We have no quarrel with respect to the *form of license*, that it may be either expressed or implied, oral or in writing. But it is believed that before the form of license becomes important for consideration, a clear understanding must be had of what in fact constitutes a license.

It is of course fundamental that a license under a patent right is a sufferance. It is further fundamental that a patent right is nothing more nor less than the right of exclusion. This right of exclusion carries with it the right of permission, i. e., the right to permit another to practice the invention. For this permission the owner of the patent may exact any tribute. Likewise, it may be gratuitous. But in every instance the granting of the permission irrespective of the terms on which the permission is granted, constitutes a waiver of the rights secured by the patentee with the issuance of the grant. This is universally spoken of as "waiver of claim" under the pat-

ent. It might be queried what claim is waived. The language is not ambiguous. The word "claim" never refers to the numerical combination of elements which constitutes one or more of the claims of the patent. The "waiver of claim" is invariably employed to mean the waiver of claim for compensation or "waiver of claim" of right of exclusion. We know of no other definition for a patent license and the Court of Claims has given no other definition for a license.

A detailed consideration of Paragraph Thirteenth on which the Court of Claims bases its decision, however, shows that the Telephone Company "waived none of its claims under any patents or patent rights." It is apparent, therefore, that rather than there being a waiver of claim on the part of the Telephone Company, i. e., as licensing, there was an express refusal of waiver, i. e., a refusal to grant a license.

It is very plain that though, for patriotic reasons, the Telephone Company stated: "We will not interfere now during the war, but we refuse to waive our rights" no license has passed. In addition, there being no waiver of rights, no terms of license were mentioned. A situation therefore is raised tantamount to infringement, the Government stating, "to meet a particular exigency, we are going to proceed to infringe your patent." The patentee assumes the position, "We will not interfere with you at the present time (sue you) but we do not waive our claim against you." In both instances, suppose a settlement was never effected or specifically, supposing the Telephone Company and the Government had not been able to arrive at satisfactory terms. What then would have been the situation. Could the Government have successfully contended that by reason of the fact that the Telephone Company refrained from suing the Government for the period of the war, "without waiver of any claim under

its patents" the Government was licensed? It is believed that no such contention for the Government could have succeeded. On the other hand what course would the Telephone Company take? It obviously would sue the Government as an infringer of its patent rights.

There is nothing compulsory upon a patent owner to sue at once for infringement of its patent. Under certain circumstances, it is incumbent upon him, however, to notify the infringer, so that continued infringement is not without notice of adverse patent rights.

It is submitted, therefore, that the facts pleaded in Paragraph Thirteenth of the petition serve the following purposes only:

1. Notification to the Government of patent rights of the Telephone Company.
2. Assurance to the Government that no suit would be filed during the war period to thereby form any source of embarrassment to the Government in its prosecution of the war; the Telephone Company would take no action which would necessitate drawing from war work one or more men to investigate and handle a relatively petty commercial matter.
3. A notice that its failure to sue was not to be construed as a license; and
4. An implied notice that at the termination of the war the Telephone Company would expect compensation and would take such action as was necessary to secure compensation.

This is all that was offered to the Government. This is all that the Government expected. The offer was not a license, and we submit that it was the direct opposite of a license. The acceptance of the offer by the Government surely could not convert it into a license. These facts the Court of Claims ignored and it is believed that their

failure to consider them is what led to the erroneous conclusion forming the basis of their opinion.

The Court of Claims advances the facts pleaded in Paragraph Fifteenth as supporting the conclusion that a license passed from the Telephone Company to the Government. Paragraph Fifteenth of the petition is as follows:

"That subsequently to the manufacture of the audions aforesaid and delivery thereof to the United States, and subsequently to the filing of the original petition in suit, negotiations were instituted by and between the United States on the one hand and said American Telephone and Telegraph Company on the other, with the result that said American Telephone and Telegraph Company made, executed and delivered to the United States an instrument in writing expressly vowing and relinquishing all claims, both against the United States and all manufacturers acting under orders of the United States, for compensation for the manufacture and use of all apparatus covered by the two patents aforesaid and said waiver was stated to include all claims which have arisen or which may hereafter arise for royalties, damages, profits or compensation for infringement of any or all Letters Patent owned or controlled by the American Telephone and Telegraph Company, whether expressly recited herein or not, for said manufacture and/or use prior hereto and for the use by the United States occurring hereafter."

The Telephone Company had not previously granted a license to the Government and if the parties had believed there had been a license, there would not have been any necessity for any such negotiations. If the Government had secured, as held by the Court of Claims, a written license what necessity would there have been for the second written license. Contrary to the thought expressed

by the Court of Claims, that the facts pleaded in Paragraph Fifteenth support the conclusion that the Government had acquired a license from the Telephone Company, it is submitted that the facts pleaded in Paragraph Fifteenth make certain that the Government had not acquired a license from the Telephone Company. Having in mind the purpose of the Telephone Company in assuring the Government that it would not interfere with its operations during the war, i. e., to avoid being an obstructionist during the time of need, and having placed itself on record as not waiving its patent rights, and that it was going to insist on its patent rights when the exigencies caused by the war no longer existed, the further action of the Telephone Company to assist the Government, and actually assist in the infringements to thereby benefit the Government, are entirely consistent with the position it had taken. It is for this reason that the "negotiations" at the end of the war were taken up to prevent if possible the Telephone Company from commencing its action for patent infringement, which right it had, expressly did not waive but merely deferred until the end of the war period.

It did not, however, effect the licensing of the Government pursuant to these negotiations until after the petitioner had asserted its claim and commenced the present action.

**The Release Executed by the Telephone Company
Was After the Filing of the Petition in this
Case by the DeForest Company.**

The DeForest Company, under the Act of July 1, 1918, filed its petition for the invasion of its rights, and it was not until after that that *negotiations* were instituted by and between the Government on the one hand, and the

American Telephone & Telegraph Company on the other hand, whereby the Telephone Company waived and relinquished all its claims against the United States.

This waiver, or release, or settlement, between the Government and the Telephone Company could in no way affect the rights of the DeForest Company. This is true for two reasons: first, this was a settlement effected between the United States and the Telephone Company on *negotiations started subsequent to the assertion by petitioner of its right to compensation*. In other words, the DeForest Company filed its petition in the Court of Claims asserting its claim, under its legal right so to do as the owner of the DeForest patents and the owner of rights to manufacture and sell to the Government, which had been invaded by the General Electric Company and the Moorhead Laboratories. The Telephone Company could never thereafter take any action which would deprive the DeForest Company of the entire recovery for that infringement, not only because of the contractual relations between the Telephone Company and the DeForest Company (Article VII of the Agreement), but as a matter of law. (*Lalance & Grosjean Mfg. Co. et al. v. Haberman Mfg. Co. et al.*, 93 Fed., 197.)

In that case Judge Lacombe said:

"Upon the precise question now presented, viz., the power of one co-owner to destroy the other's accrued right to damages, the opinion of Romilly, M. R., cited on complainant's brief (*in re Horsley & Kingston's Patent*, L. R., 8, 8 Eq., 475), seems to characterize the proposition quite correctly as 'a violation of the fundamental principles of law, and contrary to natural justice,' defendant's motion to dismiss the bills of complaint are denied."

Furthermore, the settlement effected between the Government and the Telephone Company was a waiver and

quit-claim for compensation "for infringement of any or all Letters Patent *owned or controlled* by the American Telephone & Telegraph Company." The DeForest patents here in suit, as is admitted and not disputed, were not "*owned*" by the Telephone Company and, as is obvious from the foregoing, are not "*controlled*" by the said Telephone Company. Further, Paragraph VII of the agreement states that the party bringing suits "shall retain any judgment recovered in such suits." Obviously, the Telephone Company could not deprive the DeForest Company of the *judgment or its right to a judgment* by a settlement made by the Telephone Company *after the DeForest Company sued for judgment*.

Conclusion.

We respectfully submit:

That the petitioner's amended pleadings set forth a good cause of action against the United States in that it shows on its face:

1. That the DeForest Company owns the patents in suit.
2. That the DeForest Company owns and never parted with the right to make for and sell to the United States Government apparatus embodying the invention of the patents in suit.
3. That the DeForest Company acquired, with the acquisition of the patents, and never parted with, the right to sue an infringer who invaded the field of operation of the DeForest Company of manufacture and sale to the United States Government.
4. That one field of operation of the DeForest Company, i. e., to make and sell to the United States, was invaded by infringing operations of the General Electric Company and Moorhead Laboratories, Inc.

5. That under the Act of June 25, 1910, as amended by the Act of July 1, 1918 (under which the suit is brought), DeForest Company must look to the Government for compensation for the infringing acts of the General Electric Company and Moorhead Laboratories.
6. The arrangement between the Government and The American Telephone & Telegraph Company regarding the patents in suit prior to the filing of this petition did not amount to a licensing of the Government.
7. The waiver and settlement on the part of The American Telephone & Telegraph Company subsequent to the filing of this petition did not and cannot affect the recovery here sought.

In view of these facts the Court of Claims erred in sustaining the demurrer and their judgment entered in this case May 4, 1925, should be reversed.

Respectfully submitted,

SAMUEL E. DARBY,
Solicitor for Applicant.

Dated New York, N. Y., October 17, 1925.

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In the Supreme Court of the United States

OCTOBER TERM, 1926

—
No. 142

DEFOREST RADIO TELEPHONE AND TELEGRAPH
Company, Appellant

v.

THE UNITED STATES

—
APPEAL FROM THE COURT OF CLAIMS
—

—
BRIEF ON BEHALF OF THE UNITED STATES

—
OPINION

The opinion below (R. 12-14) is reported in 59
Ct. Cls. 914.

JURISDICTION

The judgment to be reviewed was entered on May 4, 1925. (R. 15.) The petition for appeal was filed on May 16, 1925. (R. 15.) The jurisdiction of this Court is invoked under Sections 242 and 243 of the Judicial Code as they stood prior to the effective date of the Act of February 13, 1925. (Chap. 229, 43 Stat. 936.)

THE QUESTION

Was the use of patents for the United States under the circumstances alleged in the petition filed in the Court of Claims a use without license, or without lawful right to use, so as to give rise to a cause of action under the Act of June 25, 1910 (Chap. 423, 36 Stat. 851), as amended by the Act of July 1, 1918 (Chap. 114, 40 Stat. 704, 705) ?

Did the facts set out in the petition filed in the Court of Claims show the granting of a license, permission and lawful right to the United States to use such patents ?

STATEMENT

The Court of Claims sustained a demurrer to the petition in this case which sought to recover for an alleged unlawful use by the United States of certain patents which appellant claimed to own, concerning vacuum tubes or audions, used in radio communication.

The suit is brought under the Act of June 25, 1910, (Chap. 423, 36 Stat. 851) as amended by the Act of July 1, 1918 (Chap. 114, 40 Stat. 704, 705). The pertinent portions of the Act of June 25, 1910 (Chap. 423, 36 Stat. 851) are as follows:

That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such

use by suit in the Court of Claims: * * * *Provided further*, That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise * * *.

The pertinent portions of the Act of July 1, 1918, (Chap. 114, 40 Stat. 704, 705), amending the Act of June 25, 1910, are as follows:

That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: * * * *Provided further*, That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in Title Sixty of the Revised Statutes, or otherwise * * *.

The two patents involved in the suit were granted to Lee DeForest (R. 1), and by duly recorded assignments the entire rights, title, and interest in and to the same were transferred to appellant (R. 1). On March 16, 1917, appellant executed and delivered to the Western Electric Company a writ-

ten instrument conveying certain rights in said patents, all of which rights were, on May 24, 1917, assigned and conveyed by the Western Electric Company to the American Telephone and Telegraph Company. (R. 3.) This instrument executed by appellant to the Western Electric Company is set out as an exhibit to the petition. (R. 6-11.) It recites that the appellant represents that it owns and controls the entire right, title, and interest (subject to certain exceptions not here material) in and to the patents here involved, and that in consideration of One Dollar and other good and valuable considerations appellant—

on behalf of itself and its successors, legal representatives and assigns, grants and agrees to grant to the Western Company, a license (free of royalties or other payments other than those herein specified) to make, use, install, operate and lease, and to sell or otherwise dispose of to others for sale, installation and operation, apparatus and systems embodying or made or operating in accordance with the following inventions:

enumerating among many others the patents here involved (R. 6, 7). It further provided that said license was granted

for the full terms of the said patents granted or to be granted, and the license is granted for all transferable rights of said De Forest Company of any kind or nature whatsoever in said inventions, patents and applications,

except the rights hereinafter expressly reserved to itself by the De Forest Company. The said license granted and to be granted to the Western Company is exclusive except for the aforesaid rights now held by the American Telephone and Telegraph Company and except for the rights expressly reserved herein by the De Forest Company. (R. 7.)

The instrument further provided that the appellant reserves to itself the following rights (R. 7):

(1) Nonexclusive, assignable rights to make, use and sell for the synthetic production of music under such of the patents and applications of Schedules A and B as were filed prior to August 14, 1914;

which includes the patents here involved. Subdivisions (2) and (3) of the contract do not relate to the patents here concerned. (Appellant's Brief, p. 7.)

(4) Nonexclusive, nontransferable, personal rights with respect to radio communication, under all the patents, applications and inventions included in this agreement, for the following purposes only:

(a) To make for and sell to the United States Government for its use (R. 8) * * *.

Subparagraphs (b) to (g), inclusive, reserve the right to make for and sell to other classes of users and to make and use for the reproduction of news and music and are not material here. (R. 8.)

Paragraph IV of the written instrument provided that—

It is understood and agreed that, except with respect to apparatus furnished to the United States Government [and to others not here material] no apparatus shall be sold or leased by the DeForest Company under its reserved rights, except upon written agreement by the purchaser or lessee, as the case may be, that neither said apparatus as a whole nor any part thereof shall be used in the commercial transmission or reception of messages for pay, or used by others than the original purchaser or lessee, or used for any purposes other than radio communication. (R. 8.)

Paragraph VII of this instrument provided that (R. 9):

It is understood and agreed that the Western Company, its successors, legal representatives and assigns, and the DeForest Company, may, respectively, institute and conduct suits against others for infringement of any of said patents within the fields in which it possesses rights, but all of such suits shall be conducted at the expense of the party bringing them, which party shall be entitled to retain any judgment recovered in any such suits.

Paragraph XII of this instrument further provides that (R. 10):

It is understood and agreed that the Western Company, its successors and assigns may

transfer to others, in whole or in part, the rights granted by this instrument, and may assign rights hereunder, or grant licenses to various persons, firms or corporations for the several uses to which the inventions are applicable.

Lee DeForest, both as an individual and as a director and stockholder of the Company, executed at the foot of the written instrument an approval, ratification and confirmation of the same. (R. 11.)

The petition further alleges that the United States informed the American Telephone and Telegraph Company that—

being then engaged in war, it desired to have large numbers of said audions manufactured promptly for it by said General Electric Company and others, whereupon said American Telephone and Telegraph Company advised the United States, by writing to the Chief Signal Officer of the Army on or about September 21, 1917, to the effect that it would not do anything to interfere with the immediate manufacture of said audions for the United States by said General Electric Company and other manufacturers provided it were understood and agreed that said American Telephone and Telegraph Company waived none of its claims under any patents or patent rights owned by it, on account of said manufacture, and that all claims under patent rights and all patent question be reserved and later investigated, adjusted and settled by the United States; and said plan

was accepted by the United States and the orders aforesaid for said audions were thereafter given by the United States to said General Electric Company and said Moorhead Laboratories, Inc., respectively and said audions were manufactured by said General Electric Company and said Moorhead Laboratories, Inc., respectively, and delivered to the United States in pursuance of said plan. (R. 3, 4.)

It is further alleged:

That, for the purpose of assisting the United States to obtain said audions promptly pursuant to the orders given by the United States therefor, said American Telephone and Telegraph Company furnished information, drawings and blue-prints to said General Electric Company and permitted representatives and experts of the United States and of said General Electric Company to witness and study the manufacture of said audions by it, American Telephone and Telegraph Company, all to the end that said audions might be the more promptly manufactured and delivered to the United States for use in the war in which it was then engaged. (R. 4.)

After the manufacture and delivery of these audions to the United States, and after the filing of the petition in this suit, negotiations were instituted between the United States and the Telephone Company, and said Company

made, executed and delivered to the United States an instrument in writing expressly

waiving and relinquishing all claims, both against the United States and all manufacturers acting under orders of the United States, for compensation for the manufacture and use of all apparatus covered by the two patents aforesaid and said waiver was stated to include all claims which have arisen or which may hereafter arise, for royalties, damages, profits or compensation for infringement of any or all letters patent owned or controlled by the American Telephone and Telegraph Company, whether expressly recited herein or not, for said manufacture and/or use prior hereto and for use by the United States occurring hereafter. (R. 4.)

The petition then alleges that the Telephone Company did not become the owner of the patents by virtue of the instrument and that the settlement by the Telephone Company subsequent to the filing of the petition in this case did not deprive appellant of its rights (R. 4), and that the use by the Government or for the Government above set forth was an infringement of the patents involved and of the rights of the petitioner which it reserved and never parted with (R. 5). It then alleges that appellant has been damaged in the sum of \$2,000,000 and that appellant and its licensees have at all times been ready, able, and willing to furnish the United States with all the devices covered by the patents at a reasonable

price (R. 5), and that upon learning of this alleged infringement by the United States appellant notified and warned the Government to desist, but the Government continued such alleged infringement.

The Court of Claims, in sustaining the demurrer to this petition, held that the Government was licensed by the Telephone Company to do the acts which it did, and that the Telephone Company had authority to grant such a license, and that any use which the Government made of the patents here involved was not unlawful or without right, and that for this reason appellant had stated no case in its petition and same should be and was dismissed.

SUMMARY OF ARGUMENT

The facts show the granting of a license, permission, and lawful right to the United States to use the patents here involved. The use of the patents here complained of was under a license, permission and lawful right granted by appellant's assignee and therefore appellant has no right to maintain this suit.

ARGUMENT

The principal question to be determined in this case is whether the facts alleged in the petition show the granting of a license or other lawful right to the United States to use and have manufactured for them the inventions covered by the two patents here involved.

Upon the demurrer no question as to the validity of the patents was raised, and no question was

raised as to whether the audions or vacuum tubes manufactured for the Government were covered by the patents.

The appellant in its brief does not urge that the Telephone Company did not have authority and right to grant a license or permission to the United States to have these audions manufactured. The license by appellant to the Telephone Company expressly grants to the Telephone Company such right (see Paragraph XII, R. 10). It contends, however, that what the Telephone Company did can not be construed to be such a license or permission. The Government contends that the Telephone Company did license this use by and manufacture for the United States and that whether such action be construed as a license, it is such permission by the Telephone Company for the use and manufacture here involved as to constitute a lawful right to such use of these patents. The statute authorizing the bringing of such suits provides that the use or manufacture must be "without license of the owner thereof *or lawful right to use or manufacture*," by the Government.

To constitute a license no certain form, either of words or of the instrument, is necessary. As has been said in appellant's brief, "it may be either express or implied, oral or in writing" (Appellant's Brief 10).

A patent right, as has been decided by the courts and as stated in appellant's brief "is nothing more

nor less than the right of exclusion" (Appellant's Brief 10); that is, the right to exclude others from the use of the invention covered by the patent. This Court has decided that "A license is not an assignment of any interest in the patent. It is a mere permission granted by the patentee. It may be a license to make, sell and use, or it may be limited to any one of these separable rights. If it be a license to use it operates only as a right to use without being liable as an infringer. If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee." (*Henry v. Dick*, 224 U. S. 1, 24.) And, as appellant concedes in its brief, this permission may be granted either for value or gratuitously (Appellant's Brief 10).

When the Government wanted to have these audions manufactured, it first took up with the Telephone Company which had the right to license and permit this manufacture the question of the use of these inventions. The Telephone Company said, Go ahead, we will not interfere, provided that it is understood and agreed that we do not waive any of our claims under any patents or patent rights, and that all such claims be reserved and later investigated, adjusted and settled by the

United States. And thereafter the Government did proceed, relying upon this assurance, license, grant, and permission. At that time (September, 1917), which was before the Amendment of July 1, 1918, the Federal courts were granting injunctions against unauthorized use or manufacture under patents by Government contractors (see *Cramp & Sons v. Curtis Turbine Co.*, 246 U. S. 28.)

The Government contends that this constituted an agreement, a license, and a permission by the Telephone Company that the Government might use these patents in so far as necessary for this manufacture, and that after the manufacture had occurred, the whole transaction would be investigated and if the articles manufactured were covered by the patents (none of the claims of which patents were waived) that the question of compensation would then be settled and the Government should pay the reasonable value of the use of such patents. In other words it was a permission and a license to use these patents, and the question of the amount to be paid, if any, was reserved for later determination by the parties. If they could not agree there was an implied promise that the Government would pay the reasonable value. This alone, we submit, is sufficient to take away any right by appellant to maintain this suit. It constitutes a license for this manufacture for the Government, and it constitutes such permission as to make the use of these patents a use

with lawful right. It was not a use "without license of the owner thereof or lawful right to use or manufacture the same," as provided in the statute as a necessary condition before appellant has any right to maintain this suit.

The subsequent acts of the parties in and of themselves constitute a license and permission to use these patents, and indicate the intention of the parties that the original transaction between the Government and the Telephone Company above discussed amounted to a license and permission. The facts show that when the Government was ready to have these audions manufactured for it, in accordance with the understanding with the Telephone Company that it would not interfere, it proceeded to do so, and that the Telephone Company then, for the purpose of assisting in the production of these audions, furnished information, drawings, and blue prints to the company manufacturing the same and permitted the representatives and experts of the Government and of said company manufacturing these audions to witness and study the manufacture of said audions by the Telephone Company; all to the end that the audions for the Government might be more promptly manufactured and delivered. Had it not been the intention of the Telephone Company to grant a license and permission to the Government to have these audions manufactured under such patents, it would not have done these things. These facts

alone, if there was any doubt as to the original acts of the parties, conclusively confirm the contention that the parties intended that this use of these patents was licensed and with the permission of the Telephone Company.

But, eliminating the original consent of the Telephone Company, the furnishing of this information, drawings, etc., and the assistance given in the production of these audions in and of itself constitutes a license and permission under the law which makes such use lawful and takes away any right of appellant to maintain its suit herein. It has long been the settled law, not doubted or disputed, that these acts preclude infringement and make such use lawful. Whatever right there is to recover compensation in cases of such permissive use where the compensation is not agreed upon rests upon an implied contract and not upon infringement or unlawful use. (*United States v. Palmer*, 128 U. S. 262; *Dodge Manufacturing Co. v. Puster*, 42 Fed. 54; *Cline v. Horton*, 274 Fed. 728; *Walker on Patents*, Fifth Ed., Section 312).

Appellant contends that although it did grant rights to the Telephone Company's assignor, it never parted with the right to exclude others from manufacturing for the United States. Appellant says the license granted to the Telephone Company is nonexclusive, and that the reservation made by appellant to make and sell to the United States is not exclusive, but that by Article VII of the license

to the Telephone Company it (appellant) reserved the right to exclude others from manufacturing for the United States.

The license to the Telephone Company's assignor did reserve rights to appellant to make and sell to the United States. The agreement expressly provides that these rights are "non-exclusive, non-transferable, personal rights." (R. 8.) On the other hand the agreement clearly gives the Telephone Company the right to manufacture for and sell to the United States, and expressly provides that such Company "may transfer to others, in whole or in part, the rights granted by this instrument, and may assign rights hereunder, or grant licenses to various persons, firms or corporations for the several uses to which the inventions are applicable." (R. 10.)

Article VII of this agreement provides that either the appellant or the Telephone Company "may, respectively, institute and conduct suits against others for infringement of any of said patents within the fields in which it possesses rights, but all of such suits shall be conducted at the expense of the party bringing them, which party shall be entitled to retain any judgment recovered in any such suits. (R. 9.)

In the first place the acts complained of here were not infringements at all, as they were done under a license and permission granted by the Telephone Company. It is further submitted that this provision of the contract (Article VII) means

nothing more than that if there was a use of these patents by some one not duly authorized by the Telephone Company and such use was in a field retained to appellant, then appellant might maintain a suit. It did not mean that appellant could sue for a use duly authorized by the Telephone Company. The appellant itself could not authorize a use by or for the Government. The Telephone Company could and did authorize such use, and the appellant granted the right and authority to the Telephone Company to authorize such use. Had appellant owned an exclusive right, the case might be different, but it owned no such right.

To permit appellant to maintain this suit would render meaningless and without effect the provisions of the agreement authorizing the Telephone Company to grant licenses and permission to others to use said patents.

For the reasons above set forth, it is respectfully submitted that the judgment of the Court of Claims is correct and should be affirmed.

Respectfully submitted,

WILLIAM D. MITCHELL,
Solicitor General.

HERMAN J. GALLOWAY,
Assistant Attorney General.

JANUARY, 1927.



SUPREME COURT OF THE UNITED STATES.

No. 142.—OCTOBER TERM, 1926.

De Forest Radio Telephone & Telegraph Co., Appellant,
vs.
The United States. } Appeal from the Court of
Claims.

[February 21, 1927.]

Mr. Chief Justice TAFT delivered the opinion of the Court.

This is an appeal from a judgment of the Court of Claims dismissing the petition of the appellant on the 4th of May, 1925. This was before the effective date of the Act of February 13, 1925, c. 229, 43 Stat. 936, by which direct appeals under sections 242 and 243 of the Judicial Code from the Court of Claims were repealed, and the review by certiorari was substituted.

The De Forest Radio Telephone & Telegraph Company filed its petition in the Court of Claims against the United States, seeking to recover for an alleged unlawful use by the Government of certain patented vacuum tubes or audions used in radio communication. The suit was brought under the Act of June 25, 1910, c. 423, 36 Stat. 851, as amended by the Act of July 1, 1918, c. 114, 40 Stat. 704, 705. The Act of 1910 provided that whenever an invention described in and covered by a patent of the United States should thereafter be used by the Government without license of the owner or lawful right to use it, the owner could recover reasonable compensation for the use in the Court of Claims, provided that the United States could avail itself of all defenses, general or special, which might be pleaded by any other defendant charged with infringement. The amending Act of 1918 enlarged the scope of the Act by providing that the recovery by the owner should include compensation for patented inventions used or made by or for the United States.

The petition showed that the two patents involved in the suit were granted to De Forest and by him were duly assigned to the appellant, the company bearing his name, that that company ex-

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ected and delivered to the Western Electric Company a written instrument conveying certain rights in the patents which were subsequently conveyed to the American Telephone & Telegraph Company. This contract was set out in the petition. In consideration of one dollar and other good and valuable considerations it granted a license to make, use, install, operate and lease, and to sell or otherwise dispose of to others for sale, installation and operation, apparatus and systems embodying or made or operating in accordance with the invention. It purported to give this license for the full terms of the patents and for all transferable rights of the De Forest Company in the inventions, except such as were expressly reserved by that company. The reservations included non-assignable rights for the purpose of making the articles in question for, and selling them to, the United States Government for its use. The instrument further provided that the Western Company and the De Forest Company might respectively institute and conduct suits against others for any of the patents within the fields in which each respectively possessed rights, but that all such suits should be conducted at the expense of the party bringing them, that party to retain any judgment recovered in any such suits.

Par. 12 of the instrument provided that the Western Company might transfer to others, in whole or in part, the rights granted by the instrument, and might assign rights thereunder or grant licenses to various persons, firms or corporations for the several uses to which the inventions were applicable. The petition further alleges that the United States being engaged in war informed the American Telephone & Telegraph Company that it desired to have large numbers of the audions made promptly for it by the General Electric Company and others, that the American Telephone & Telegraph Company replied by writing to the Chief Signal officer of the Army that it would not do anything to interfere with the immediate manufacture of the audions, provided it were understood and agreed that the Telephone & Telegraph Company "waived none of its claims under any patents or patent rights owned by it on account of said manufacture, and that all claims under patent rights and all patent questions be reserved and later investigated, adjusted and settled by the United States." The plan was accepted by the United States and the orders for said audions were thereafter given by the United States to said General Electric Company.

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and said Moorhead Laboratories, Inc., who made them and delivered them to the Government which used them.

The petition further alleged that for the purpose of assisting the United States to obtain said audions promptly pursuant to the orders given, the American Telephone & Telegraph Company furnished information, drawings and blueprints to the General Electric Company and permitted representatives and experts of the United States and of said General Electric Company to witness and study the manufacture of said audions by the Telephone & Telegraph Company, all to the end that the audions might be the more promptly made and delivered to the United States for use in the war in which it was then engaged.

After the filing of the petition in the suit, it was amended by an averment that after the audions were made and used by the United States, negotiations were carried on between it and the American Telephone Company, and that the latter company executed a release to the United States and all manufacturers acting under its orders of all claims for compensation for the making and use of the audions, and that the release included "all claims which had arisen or might thereafter arise, for royalties, damages, profits or compensation for infringement of any or all letters patent owned or controlled by the Telephone & Telegraph Company, whether expressly recited therein or not, for the manufacture or use prior thereto, and for use by the United States occurring thereafter."

The petition was demurred to, the demurrer was sustained and the petition dismissed. It is conceded by the parties that on the face of the petition, with the contracts which were made exhibits, the De Forest Company and the American Telephone & Telegraph Company had each the right to license to the United States the making and use of these audions, and that if either did so license them it would be a complete defense to a claim for damages for the tort of infringement by the other.

The sole question therefore which the Court of Claims considered and decided against the appellant was whether on the facts recited in the petition the American Telephone & Telegraph Company had in fact given a license to the United States to have made and use these audions covered by the patents. In other words, was the claim which the American Telephone & Telegraph Company had against the United States for the manufacture and use of the audions, based on a contract or was it based on a tort? If

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it were the former, it was a full defense to any claim by the De Forest Company. If it were the latter, the De Forest Company was entitled to recover under the Act of 1918.

The appellant says that the necessary effect of the allegations of his petition is that the Telephone Company said to the United States, in answer to the United States' notice that it wished to make and use the audions, "You will be infringing my rights. I shall not stop you but I notify you that I shall hold you for such infringement", and therefore that the subsequent acts of the United States and its manufacturers were torts. We think a different construction should be given the allegations. The agreement by the Telephone Company that it would not do anything to interfere with the immediate making of the audions for the United States, interpreted in the light of its subsequent action in assisting the United States to a prompt making of the audions for its use, in furnishing the needed information and drawings and blueprints for such manufacture, and in giving to the experts of the United States and its manufacturers the opportunity to witness and study the manufacture of audions by the Telephone Company, to the end that the audions might be more promptly manufactured and delivered to the United States for use in the war, made such conduct clearly a consent to their manufacture and use and a license, and this without any regard to the effect of the subsequent release by the Telephone & Telegraph Company of compensation for such manufacture and use. No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort. Whether this constitutes a gratuitous license or one for a reasonable compensation must of course depend upon the circumstances; but the relation between the parties thereafter in respect of any suit brought must be held to be contractual and not an unlawful invasion of the rights of the owner. Concede that if the owner had said, "If you go on and infringe my patent, I shall not attempt to enjoin you, but I shall subsequently sue you for infringement", the tort would not be waived, that is not this case. Here the circumstances show clearly that what the Company was doing was

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not only fully consenting to the making and using by the United States of the patent but was aiding such making and using and in doing so was licensing it, only postponing to subsequent settlement what reasonable compensation, if any, it might claim for its license. The case of *Henry v. Dick*, 224 U. S. 1, in its main point was overruled in the *Motion Picture Patents Company v. Universal Film Company*, 243 U. S. 502, but that does not shake the authority of the language of the Court in the following passage (p. 24) :

"If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee", citing *Robinson on Patents*, sections 806 and 808.

In this case the language used certainly indicated the purpose of the Telephone Company not to seek an injunction against infringement and not to sue for damages therefor, but only to sue or seek for an amicable settlement by payment of just compensation. Such action by the Telephone Company was a license and constituted a complete defense against a suit for infringement by the De Forest Company.

Judgment affirmed.

A true copy.

Test:

Clerk, Supreme Court, U. S.